

**REGULAR STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

March 14, 2013

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:02 a.m., Thursday, March 14, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)
Nancy Baerwald, Member (*Cando*)
Bill Daniel, Member (*Bismarck*)
Kim Larson, Member (*Casselton*)
Anita Quale, Member (*Watford City*)
Tom Stennes, Member (*Harwood*)

MEMBER ABSENT: Linda Beall, Member

ALSO PRESENT: Aaron K. Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Lise Kruse, Chief Examiner – Banks (*Fargo*)
Janilyn Murtha, Assistant Attorney General (*Office*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on January 10, 2013.

It was moved by Member Stennes, seconded by Member Baerwald, and carried by a vote of 6 to 0, with Member Beall absent, to approve the January 10, 2013, minutes as presented.

MERGER APPLICATION – CHOICE FINANCIAL GROUP, GRAFTON

Chairman Entringer indicated the Department received an application for Choice Financial Group, Grafton, to merge Choice Financial Savings Bank, Comfrey, MN, into Choice Financial Group, Grafton.

Assistant Commissioner Webb reviewed his Memorandum dated February 7, 2013, indicating the Department received the Interagency Bank Merger Act Application on January 18, 2013.

Assistant Commissioner Webb indicated that notice of the application was published pursuant to the joint state and federal requirements in the Walsh County Record on January 23, February 6, and February 13, 2013, and in the Comfrey Times on January 24, February 7, and February 14, 2013. Assistant Commissioner Webb indicated the public comment period ended February 23, 2013, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb indicated Section 6-03-11 of the North Dakota Century Code provides in part: “Any two or more banking institutions as defined in section 6-01-02 upon making application to the state banking board may consolidate or merge if authorized by the board into one banking institution under the charter of either existing banking institution on such terms and conditions as lawfully may be agreed upon by a majority of the board of directors of each banking institution proposing to consolidate or merge subject to rules adopted by the state banking board.”

Assistant Commissioner Webb indicated Chapter 13-02-13 of the North Dakota Administrative Code sets forth the requirements for banks to follow when merging banks or holding companies.

Assistant Commissioner Webb indicated The Agreement and Plan of Merger; Consent Resolutions of the Sole Shareholder of Choice Financial Group; and Consent Resolutions of the Sole Shareholder of Choice Financial Savings Bank are included in the application. Assistant Commissioner Webb indicated that Choice Financial Holdings, Inc., as sole shareholder of both Choice Financial Group and Choice Financial Savings Bank, waived the notice of shareholder meeting.

Assistant Commissioner Webb indicated the two Consent Resolutions provide ratification from Choice Financial Holdings for the execution of the Merger

Agreement and delivery of any certificates, instruments and other writings as may be required (including any actions required by the appropriate bank regulatory authorities) in connection with the consummation of the transaction contemplated by and described in the Merger Agreement.

Assistant Commissioner Webb indicated the application contains the required pro forma statements, as well as the names of the directors and senior executive officers of the resultant institution. Assistant Commissioner Webb added the Department has no information that would indicate the proposed officers are not qualified, experienced or financially responsible.

Assistant Commissioner Webb indicated that all branches of Choice Financial Group will continue to provide full banking services similar to the services currently being provided, while customers of Choice Financial Savings Bank will have access to expanded services and products.

Assistant Commissioner Webb indicated capital of the resultant bank as of December 31, 2012, is 10.25% Tier 1 Leverage, 11.60% Tier 1 Risk-based, and 12.63% Total Risk-based; and as of December 31, 2013, the above respective ratios are 11.42%, 12.92%, and 13.95%. Assistant Commissioner Webb indicated the bank is projecting to remain in the “Well Capitalized” capital category.

Assistant Commissioner Webb indicated Section 6-03-13.3 of the North Dakota Century Code, provides, in part: “Upon approval by the state banking board of a merger application under section 6-03-11, the former main office and facilities of the banking institutions being merged will become facilities of the surviving banking institution and the banking institution is not required to file an application under this section.” Assistant Commissioner Webb added that Choice Financial Group intends to continue operations in the former office of the merging bank located at 101 West Brown, Comfrey, Minnesota.

Chairman Entringer informed the Board that The Agreement and Plan of Merger as well as the Articles of Merger are in draft form, as they were sent to the Secretary of State’s Office for review, and then those comments were forwarded to Choice Financial Group. Mr. LeClair acknowledged he has received the comments and that following this conference call, bank representatives will confer with counsel for the Secretary of State’s office regarding any necessary changes.

Chairman Entringer indicated the original finalized documents should be provided to the Department for filing with the Secretary of State.

Mr. Zavalney indicated the prospective merger date is April 19, 2013, which has been set to coincide with a software conversion. Mr. Zavalney indicated the proposed merger improves the business model significantly and allows that more services can be provided to the Comfrey market.

Chairman Entringer explained the Department had the authority to conduct an examination of Choice Financial Savings Bank; however, an examination was not conducted since the volume of loans that will be transferred through the merger are participations from Choice Financial Group, which the Department is aware of through examinations of Choice Financial Group.

Chairman Entringer indicated the Department did seek comments from the Minnesota Department of Commerce regarding the proposed merger; however, no comments were received.

Chairman Entringer indicated the proposed merger application was approved by the Federal Deposit Insurance Corporation on March 1, 2013.

Chairman Entringer reviewed the provisions of the proposed Order for Messrs. LeClair and Zavalney.

Assistant Commissioner Webb indicated that based on the above assessment of the criterion, it is the opinion of the Department that all of the above criteria have been met; the assumptions used and projections provided in the application are accurate; and would recommend that the merger application be approved.

It was moved by Member Baerwald, seconded by Member Daniel, and carried by a vote of 6 to 0, with Member Beall absent, to approve the application for Choice Financial Savings Bank, Comfrey, MN, to merge into Choice Financial Group, Grafton, and that Chairman Entringer is authorized to sign the Order on behalf of the Board.

Messrs. LeClair and Zavalney left the conference call at 9:16 a.m.

CHANGE OF CONTROL APPLICATION – FULL SERVICE AGENCY, INC., BUXTON

Chairman Entringer reviewed his Memorandum dated March 8, 2013, indicating the Department received a change of control application on February 11, 2013, from Paul Marchell, Dennis Haugen, Richard Newman and Ronald Kloster each to acquire 25% of the 1,779.2 voting shares of Full Service Agency, Inc., and indirectly control First State Bank, Buxton. Chairman Entringer indicated the application was deemed complete on February 11, 2013.

Chairman Entringer indicated notice of the application was published in the Traill County Tribune, Mayville, on February 16, 2013, with the comment period ending February 25, 2013; no comments were received nor were there any requests for copies of the application.

Chairman Entringer reviewed the provisions of Section 6-08-08.1(4) of the North Dakota Century Code regarding a change of control application.

Chairman Entringer indicated the letter from Steve Swartz, CFO and Director of First State Bank, Buxton, explains through the retirement of stock owned by Amy Knudsvig, the remaining four shareholders will own 25% of the stock of the holding company, which requires the change of control application.

Chairman Entringer indicated the bank holding company has sufficient funds on hand to retire the stock and no dividend is necessary from the subsidiary bank, nor will any change in management occur as a result of the transaction.

Chairman Entringer indicated the Department recommends approval of the change of control application by Paul Marchell, Dennis Haugen, Richard Newman and Ronald Kloster each to acquire 25% of the 1,779.2 voting shares of Full Service Agency, Inc.

It was moved by Member Larson, seconded by Member Quale, and carried by a vote of 6 to 0, with Member Beall absent, to approve the change of control application for Paul Marchell, Dennis Haugen, Richard Newman and Ronald Kloster each to acquire 25% of the 1,779.2 voting shares of Full Service Agency, Inc., and indirectly control First State Bank, Buxton.

ITEMS TO BE NOTED

Chairman Entringer indicated that on February 11, 2013, he approved, as Commissioner, an application by Bell State Bank & Trust, Fargo, to establish a facility at 5680 23rd Ave S, Ste 101, Fargo.

Chairman Entringer indicated that on February 19, 2013, he approved, as Commissioner, an application by Bell State Bank & Trust, Fargo, to establish LPOs at 4910 Hwy 61 N, White Bear Lake, MN; 1835 Northwestern Ave, Stillwater, MN; 1330 County Rd B West, Roseville, MN; 971 Sibley Memorial Hwy, Lilydale, MN; and 405 33rd Ave N., St. Cloud, MN.

Chairman Entringer indicated that on February 19, 2013, he approved, as Commissioner, an application by Starion Financial, Bismarck, to establish a LPO at 324 S Grand Ave, Sun Prairie, WI.

BANK BUDGET UPDATE

Chairman Entringer reviewed the January 31, 2013, Organizational Status Report by Summary Account.

BANK OF NORTH DAKOTA ASSESSMENT

Chairman Entringer indicated he met with Tim Porter, CFO of Bank of North Dakota, in February, and an assessment plan was discussed. Chairman Entringer indicated while meeting with Eric Hardmeyer, President of Bank of North Dakota, on March 8, 2013, President Hardmeyer indicated he agreed with the proposed assessment. Chairman Entringer indicated he will provide the proposed assessment to the Board for their review; explaining that the proposed assessment transitions the Bank of North Dakota into the current bank assessment formula over the next two years, to be fully phased in by July 1, 2015, assessment date.

LEGISLATION

Chairman Entringer indicated the Department's budget bill was heard by the House on March 4th and acted on the following day, March 5th. Chairman Entringer explained the Governor proposed 3 and 5% salary increases for the next biennium; however, the House has reduced that to 2 and 4%, as well as requiring that all agencies start accruing for leave in the event of retirement. Chairman Entringer explained all agency budgets will end up in conference committee.

Chairman Entringer indicated the House IBL Committee added an amendment to the Department's banking bill relating to the ability of banks to purchase or construct a building and lease it to a municipality. Chairman Entringer indicated the House amended the bill by requiring it be voted on and approved by 60% of the electorate if the municipality would build itself and require bonding. Chairman Entringer explained the Senate IBL Committee amended the bill by removing this House amendment, which was then approved; however, the bill is still pending.

The Board went into closed session at 9:28 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1., and reconvened to open session at 10:52 a.m.

UPDATE ON INFORMAL COMPLAINT – CITIZENS STATE BANK – WEST, CAVALIER

Chairman Entringer informed the Board he has not been contacted by the Petersons since the January 10, 2013, meeting; however, President Steinwand informed him the court hearing was held on March 4th, and went very well for the bank. Chairman Entringer continued he believes the judge will issue a decision fairly quickly.

FUTURE APPLICATIONS

Chairman Entringer indicated the Department has received an application from Starion Financial, Bismarck, to establish an interstate branch in Wisconsin.

Chairman Entringer indicated the Department expects to receive a charter conversion application from North County Bank, NA, McClusky. Chairman Entringer indicated that North Country Bank, NA, previously acquired a state-chartered bank (First Security Bank, Underwood); however, North Country Bank, NA, has recently been acquired by American Bancor, Inc., and it is the intention of American Bancor, Inc., to convert North County Bank, NA, into a state charter. Chairman Entringer concluded that this application will require a public hearing, which he believes will be held during the next regularly scheduled May 9, 2013, State Banking Board meeting.

The meeting adjourned at 10:57 a.m.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary